

## Message Text

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65

ACTION EA-09

INFO OCT-01 ARA-06 EUR-12 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 IO-10

XMB-02 FRB-03 ISO-00 /122 W  
----- 008809

R 250330Z OCT 75

FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 0910  
INFO AMEMBASSY BONN  
AMEMBASSY BRASILIA  
AMEMBASSY BRUSSELS  
AMEMBASSY CANBERRA  
AMEMBASSY COPENHAGEN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY PARIS  
AMEMBASSY STOCKHOLM  
AMEMBASSY OTTAWA  
AMEMBASSY THE HAGUE  
AMEMBASSY TOKYO  
AMEMBASSY ROME

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EO 11652: NA

TAGS: EAID EFIN

SUBJECT: INTERNATIONAL FINANCE CORPORATION (IFC)  
CAPITAL REPLENISHMENT

REF: STATE 242712

1. SUMMARY: SENIOR OFFICIALS OF BANK INDONESIA (CENTRAL  
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BANK) AND MINISTRY OF FINANCE BOTH DISPLAYED FORTHCOMING

ATTITUDE TOWARDS U.S. PROPOSAL BUT INDICATED INDONESIA WOULD MOVE IN CONCERT WITH ITS REGIONAL MINISTERS OF FINANCE DECISION ON PROPOSALS TO BE DISCUSSED AT FORTHCOMING KATHMANDU MEETING AND OPEC MINISTERS OF FINANCE MEETING. BOTH OFFICIALS INDICATED APPROVAL IN PRINCIPLE OF U.S. PROPOSAL. END SUMMARY.

2. ECONOMIC/COMMERCIAL COUNSELOR MET WITH ARIFIN SIREGAR, BANK INDONESIA (BI) MANAGING DIRECTOR IN CHARGE BUDGET AND RESEARCH, WHO BASICALLY RESPONSIBLE FOR BI'S IFC INVOLVEMENT, AND DR. JULIANTO MULYODIHARDJO, DIRECTOR-GENERAL FOR MONETARY AFFAIRS, GOI DEPARTMENT OF FINANCE, TO REVIEW REFTEL PROPOSALS. REQUESTED MEETING WITH RACHMAT SALEH, GOVERNOR BANK INDONESIA, STILL PENDING.

3. SIREGAR SAID THAT BI LOOKS UPON IFC AS IMPORTANT CATALYTIC AGENT IN ATTRACTING PRIVATE FINANCE FOR INDUSTRIAL PROJECTS CONSONANT WITH GOI'S DEVELOPMENT PROGRAMS. THEREFORE, IN PRINCIPLE, HE BASICALLY WOULD RECOMMEND SUPPORT U.S. PROPOSED INCREASE IFC CAPITAL. SIREGAR POINTED OUT HOWEVER AHT GOI CONSTRAINED IN IMPLEMENTING SUCH SUPPORT BY ITS MEMBERSHIP IN TWO GROUPING. FIRST GROUPING IS EAST ASIAN REGIONAL ORGANIZATION OF MINISTERS OF FINANCE WHO WILL BE MEETING EARLY NOVEMBER IN KATHMANDU TO DISCUSS REGION'S INTEREST IN INCREASING CAPITALIZATION AND EXPANDED FACILITIES OF IBRD AND IMF. GOI WOULD NOT WISH TO TAKE POSITION CONTRARY TO THAT ENUMCIATED AT FORTHCOMING MEETING ON PROPOSALS SUCH AS THAT CONTAINED REFTEL. SAME POSITION OBTAINS WITH REGARD TO FORTHCOMING OPEC MINISTRY OF FINANCE MEETING.

4. SIREGAR SAID THAT ABOVE POSITION FURTHER COMPLICATED BY INDONESIA'S OPEC MEMBERSHIP SINCE IT IS BASIC GOI POLICY TO MOVE IN CONCERT WITH OPEC. HE SAID HE THOUGHT FORTHCOMING OPEC MINISTERS OF FINANCE MEETING WOULD ALSO BE CONCERNED WITH IBRD/IFC INCREASE. HE OBSERVED THAT IT MUST BE RECALLED THAT OPEC IS "VERY SUSPICIOUS OF ANY PROPOSALS FROM INDUSTRIALIZED COUNTRIES, ESPECIALLY THE U.S." HE NOTED FOR EXAMPLE THAT ON U.S. PROPOSAL THAT OPEC LIMITED OFFICIAL USE

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ESTABLISH SPECIAL FUND TO EASE IMPACT OF OIL PRICE INCREASES ON MASA THAT OPEC'S REACTION WAS TO QUESTION WHY INDUSTRIALIZED COUNTRIES SHOULD NOT ALSO CONTRIBUTE TO SUCH FUNDS SINCE THEY HAD BASIC FINACIAL RESOURCES TO DO SO AND FURTHERMORE THEIR OIL COMPANIES WERE BENEFICIARIES IN PART OF INCREASED PRICES. HE NOTED THAT FURTHERMORE THIS PROPOSAL WAS LOOKED UPON IN CERTAIN QUARTERS AS AN ATTACK UPON OPEC. HE OBSERVED

THEREFORE THAT U.S. PROPOSED INCREASE IN IFC WILL BE CAREFULLY EXAMINED BY OPEC TO ASSURE THAT THERE IS "NO TRICK INVOLVED."

5. E/CM COUNSELOR LEFT OUTLINE OF U.S. PROPOSAL WITH SIREGAR, WHICH HE SAID HE WOULD SHARE WITH GVERNOR SO THAT WHEN APPOINTMENT IS FINALLY ARRANGED GOVERNOR WOULD BE BRIEFED TO EXPRESS MORE DEFINITIVE BI VIEW.

6. JULIANTO OF MINISTRY OF FINACE INDICATED THAT GOI AS BASIC PRINCIPLE WOULD BE WILLING SUPPORT INCREASE IN ANY INTERNATIONAL FUNDING BODY SO LONG AS IT COULD SEE INCREASED ACCESS FOR INDONESIA TO THOSE EXPNADED RESOURCES. HE SAID HE COULD ADVISE US THAT THERE WOULD BE NO "A PRIORI" REJECTION OF U.S. PROPOSAL. JULIANTO INDICATED THAT HE WOULD BRING TO MINISTER ALI WARDHANA'S ATTENTION PAPER OUTLINING U.S. PROPOSAL FOR HIS CONSIDERATION SINCE JULIANTO SAID MINFIN WOULD BE ATTENDING REGIONAL MINISTERS OF FINANCE MEETING IN KATHMANDU AND THE OPEC MEETING WHERE IBRD AND IFC EXPANSION WOULD BE REVIEWED.

7. BOTH KULIANTO AND SIREGAR WERE NONCOMMITTAL ABOUT SUGGESTION THAT INDONESIA PROVIDE "SUBSTANTIAL INCREASE" IN ITS SHARE OF IFC AS SUGGESTED PARA 17 REFTEL. IN VIEW INDONESIA'S CURRENT B/P PROBLEMS STEMMING FROM PERTAMINA DEBT, EMBASSY BELIEVES IT UNREALISTIC TO ANTICIPATE MORE THAN TOKEN INCREASE ON PART GOI IF GOI DOES ULTIMATELY SUPPORT U.S. PROPOSAL.

8. EMBASSY WILL REPORT RESULTS IF MEETING WITH BI GOVERNOR RACHMAT SALEH WHEN AND IF APPOINTMENT ARRANGED.  
NEWSOM

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC GROWTH, CAPITAL (FINANCE), DEVELOPMENT PROGRAMS, MEETINGS, FINANCIAL CONTRIBUTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
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**Errors:** N/A  
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**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 242712  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
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**TAGS:** EAID, EFIN, XX, US, IFC  
**To:** STATE  
**Type:** TE  
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